

## **Australia seeks greater Asian engagement**

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The rhetoric that the 21st Century belongs to Asia is rapidly becoming conventional wisdom. The scorching pace of growth of the two large demographic entities India and China, as well as the growth of other Asian countries like Malaysia, Indonesia, Thailand, with revival in Japan, lends credence to the view that the centre of economic gravity is shifting to Asia. In western countries this evokes a mix of fear and pragmatism. Australia is no exception.

Fear can be seen in reactions like limitations on outsourcing, defensive sabre-rattling in US dealings in China regarding exchange policies and generally the emergence of potential security rivals. The opportunities created by an expanding market, a large reservoir of skilled labour, increased knowledge-based activities and flocking of investors are an evidence of the pragmatism.

From Australia's perspective, emerging Asia offers new opportunities and challenges. To consider these issues, an interactive conference on the broad theme of Future Summit 2006 has been sponsored by the Australian government under the aegis of the Australian Davos Connection (ADC). It brought together senior policy makers, academics and corporates to discuss complexities ranging from human resource development, security to environmental management.

It also concentrated on sustainability, namely continued prosperity in a warming world—which has significant implications for Australian resource needs, supply management and for broadening their response to increasing scarcity, as well as adaptation of lifestyles. Increased engagement of Australia in evolving Asian business and society requires greater cultural and literary understanding on how business partners view Australia. Going beyond the current forecasting approach to include the full spectrum of energy strategies and changes needed to adapt energy availability to changes in the nature of economic activities remains a challenge. The quest for energy sustainability is pervasive in any effort to plan for the future. No discussion on Asia is complete without the inevitable issues of India, China comparison, the unmanageable demand for fossil fuel-based energy and environmental sustainability.

Notwithstanding multiple complexities, three issues deserve attention. First, demographics. By 2005, the population of the world is set to increase by 24 per cent from 6.3 billion to 7.8 billion. Emerging Asia is a key driver in this growth—it would account for 53 per cent of the increase during this period. India and China will be the main contributors. The two together will account for 54 per cent of the increase in population in emerging Asia, out of which India alone accounts for 31 per cent of the population increase. By 2025, India's population would be close to 1.4 billion and while the basic forces of demographic shift contribute to higher growth, it may also hamper it if enabling policies do not support the projected growth levels.

Growth using the same technologies as in the past may not be sustainable; the pattern of resource consumption required not only to employ these workers and prevent unrest in doing so, as well as to provide for increasing consumption as income rises is simply not possible without improvement in energy output ratio. Besides, while the workers can play a constructive role in the world labour market, providing essential services, this would be limited by the extent to which they have acquired relevant skills. Skills not only to compete with other people but to compete with technology and labour-saving technology and to excel at all kinds of tasks that only people can do.

The labour force can contribute not only to efficiency and competitive production but achieve higher growths of consumption, savings and investment. This critically depends on policies to secure growth, including human resource development. Otherwise the flip side can be unwanted migration, overcrowding, famine and violent conflict for finite resources.

Second, energy management. Energy demand is driven largely by GDP, increased population and technology, and will follow past trends. Emerging Asia will be the key driver in the growth of world's energy market as it would account for 47 per cent of the increase during the same period, with India and China accounting for 75 per cent of that. This implies a 63 per cent rise in oil consumption, 70 per cent in gas consumption and 57 per cent increase in coal.

Environmental sustainability would be central to growth strategy. We cannot develop in the same way as the West without provoking serious and irreversible environmental damage. It is in our interest to be leaders in Green Technology. What India and China do can particularly make or break our ecology and eventually the global economy. The biggest manmade source of mercury pollution, for example, is power plant emissions from rapidly industrialising countries. This does not mean losing sight of economic growth and profits. Actually "green solutions" are seen as the next big disruptive technology and is an area where big fortunes can be made.

Third, why are these questions on emerging Asia being asked in Australia? Is it because they have found themselves misaligned, with growing realities of Asian growth rates, and need to integrate more closely with Asia and are worried on issues of energy, environmental sustainability and unwanted migration? From India's perspective, cooperation with Australia in meeting its energy needs, particularly coal and other raw materials, is significant. It is also a destination for private investment and where migration policies offer greater scope for skill-based technologies. Australia in turn seeks the opportunities of a growing Indian market and has multiple lessons on some of the changes that India needs to undertake, micro-economic reforms enabling harmonisation of regulations between states, and above all managing economic policy in a federation.

Australia seeks greater Asian engagement. This would be in everyone's interest.

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